

Sales to exempt organizations are subject to sales tax unless the organization has obtained an active exemption identification number ("E" number) from the Department. See 86 Ill. Adm. Code 130.2080. (This is a GIL.)

August 7, 2007

Dear Xxxxx:

This letter is in response to your letter dated June 18, 2007, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

I received the attached request from ABC to exempt the sale of propane gas to our customers in which they make payment under the fuel assistance program. They have provided 2 letters which I have attached they say support that.

As you can read below, I stated to ABC that the sales are make [sic] directly to our customer by us, which we believe is taxable, that the payment of that sale by the non profit agency does not trigger a tax exemption status.

Thanks for your help and time in this matter.

DEPARTMENT'S RESPONSE

Organizations that qualify as exclusively religious, charitable, or educational can apply to the Illinois Department of Revenue to obtain tax exemption identification numbers ("E" numbers). These numbers establish that the Department recognizes said organizations as exempt from incurring Use Tax when purchasing tangible personal property in furtherance of their organizational purposes. See 86 Ill. Adm. Code 130.2007.

Sales to exempt organizations are subject to tax unless the organization has obtained an active exemption identification number ("E" number) from the Department. See 86 Ill. Adm. Code

130.2080. Companies selling tangible personal property to these organizations must be provided with an "E" number for the sales to be tax exempt, unless another exemption can be documented. It is important to note that only sales of tangible personal property invoiced to the organization itself are exempt. Sales made to an individual member or client of an exempt entity are generally subject to tax.

As a general proposition, individual members or clients of exempt organizations who purchase items of tangible personal property with their own funds and are then reimbursed by the exempt organization, cannot purchase the items tax-free. As noted above, the sale must be made to the exempt organization, and the "E" number can only be used in making purchases in furtherance of organizational purposes. However, if a business sells tangible personal property to an organization holding an "E" number as evidenced by the invoice showing the exempt organization as the purchaser and the exempt organization pays the purchase price directly to the seller, the sale can be made tax free even if the exempt organization later gives the tangible personal property away.

If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote
Associate Counsel

MPM:msk